

**EAGLE GROVE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education
(Before September 2008 Election)

Randy Hansen	President	2008
Dean Shutt	Vice President	2011
Patricia Manues		2008
Charlie Bray		2009
Michael Moffitt		2008

(After September 2008 Election)

Randy Hansen	President	2011
Dean Shutt	Vice President	2011
Patricia Manues		2011
Charlie Bray		2009
Jon Rowen		2009

School Officials

Dennis Bahr	Superintendent
Teresa Pohlman	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Eagle Grove Community School District, Eagle Grove, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

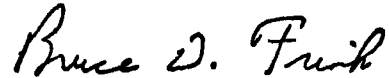
We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Eagle Grove Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2010 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 32 through 33 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 25, 2010

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,228,278 in fiscal year 2008 to \$8,252,450 in fiscal year 2009, while General Fund expenditures decreased from \$8,228,278 in fiscal year 2008 to \$8,103,358 in fiscal year 2009.
- The increase in General Fund revenues was primarily attributable to increased local revenue sources. The decrease in expenditures was due primarily to decrease in non-instructional areas, primarily administration, spending on direct instruction costs increase by 4%.
- The statewide sales and services tax replaced the local option tax. It is being used for debt repayment.
- The General Fund balance increased by over \$150,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eagle Grove Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eagle Grove Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Eagle Grove Community School District Annual Financial Report

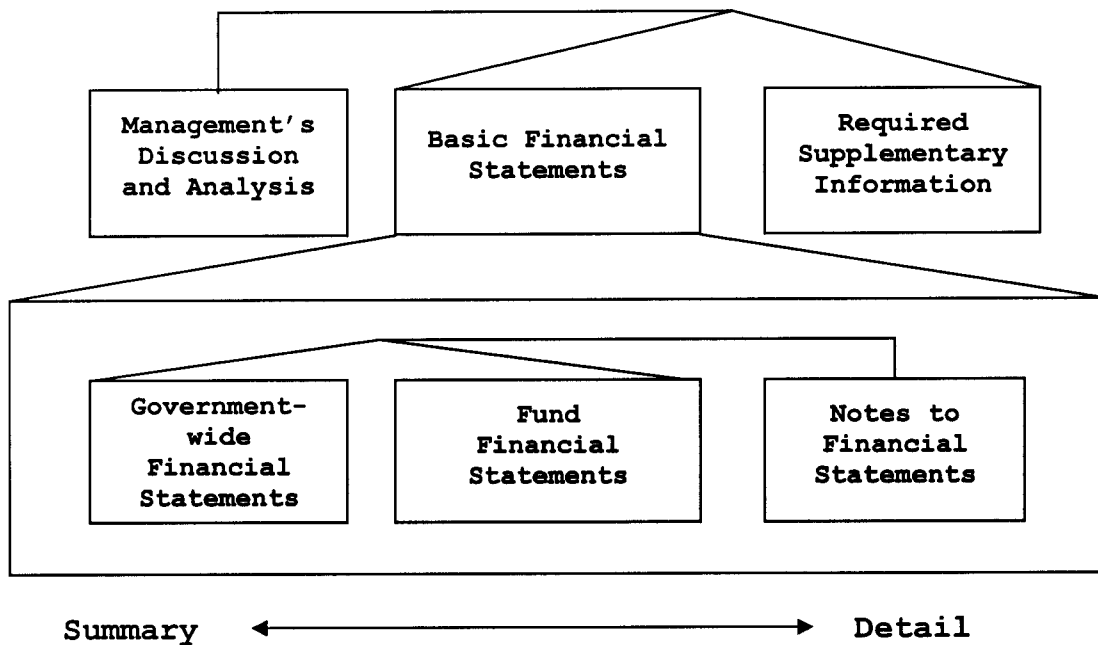


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Capital Projects Fund and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to 2008.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 5,873	6,504	47	6	5,920	6,510	-9.06%
Capital assets	<u>9,854</u>	<u>10,243</u>	<u>10</u>	<u>10</u>	<u>9,864</u>	<u>10,253</u>	<u>-3.79%</u>
Total assets	<u>15,727</u>	<u>16,747</u>	<u>57</u>	<u>16</u>	<u>15,784</u>	<u>16,763</u>	<u>-5.84%</u>
Current liabilities	5,066	5,871	-	9	5,066	5,880	-13.84%
Non-current liabilities	<u>5,081</u>	<u>5,345</u>	<u>-</u>	<u>-</u>	<u>5,081</u>	<u>5,345</u>	<u>-4.94%</u>
Total liabilities	<u>10,147</u>	<u>11,216</u>	<u>-</u>	<u>9</u>	<u>10,147</u>	<u>11,225</u>	<u>-9.60%</u>
Net Assets							
Invested in capital assets, net of related debt	4,784	4,928	10	10	4,794	4,938	-2.92%
Restricted	1,090	931	-	-	1,090	931	17.08%
Unrestricted	<u>(294)</u>	<u>(328)</u>	<u>47</u>	<u>(3)</u>	<u>(247)</u>	<u>(331)</u>	<u>25.38%</u>
Total net assets	<u>\$ 5,580</u>	<u>5,531</u>	<u>57</u>	<u>7</u>	<u>5,637</u>	<u>5,538</u>	<u>1.79%</u>

Total net assets increased by almost \$100,000. The General Fund increased by over \$150,000 resulting in the increase in unrestricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 265	159	187	167	452	326	38.65%
Operating grants, contributions and restricted interest	1,726	1,796	210	179	1,936	1,975	-1.97%
General revenues:							
Property tax	3,132	3,019	-	-	3,132	3,019	3.74%
Income surtax	203	366	-	-	203	366	100.00%
Statewide sales and services tax	531	512	-	-	531	512	3.71%
Unrestricted state grants	3,633	3,637	-	-	3,633	3,637	-0.11%
Unrestricted investment earnings	12	15	-	-	12	15	-20.00%
Other	119	505	-	-	119	505	-76.44%
Total revenues	9,621	10,009	397	346	10,018	10,355	-3.25%
Program expenses:							
Governmental activities:							
Instruction	5,811	5,623	-	-	5,811	5,623	3.34%
Support Services	2,379	2,825	-	-	2,379	2,825	-15.79%
Non-instructional programs	20	176	347	355	367	531	-30.89%
Other expenses	1,363	1,111	-	-	1,363	1,111	22.68%
Total expenses	9,573	9,735	347	355	9,920	10,090	-1.68%
Change in net assets	\$ 48	274	50	(9)	98	265	63.02%

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,621,287 and expenses were \$9,573,319 for the year ended June 30, 2009. The District's General Fund increased primarily due to cost containment measures.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 5,811	5,623	3.34%	4,159	4,008	3.77%
Support Services	2,379	2,825	-15.79%	2,363	2,803	-15.70%
Noninstructional Programs	20	176	-88.64%	20	176	88.64%
Other expenses	1,363	1,111	22.68%	1,040	792	31.31%
Totals	<u>\$ 9,573</u>	<u>9,735</u>	<u>-1.66%</u>	<u>7,582</u>	<u>7,779</u>	<u>-2.53%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$265,042.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,072,167.
- The net cost of governmental activities was financed with \$3,131,603 in property tax, \$3,633,327 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$397,527 and expenses totaled \$347,244. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted the Eagle Grove Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$641,662, thirty percent above last year's ending fund balances of \$469,306.

Governmental Fund Highlights

- The Physical Plant and Equipment Levy was used for regular costs as well as building projects.
- Statewide sales and services tax replaced the local option tax. This will be used for property tax relief and debt repayment.

Proprietary Fund Highlights

The Nutrition Fund works to maintain a positive balance given increases in food and salary costs. The District has attempted to maintain prices at a reasonable level. Cost cutting measures were achieved with the new elementary building.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Projects and Special Revenue Funds are not presented in the budgetary comparison on pages 32 and 33.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$250,000 less than the total budgeted receipts. Decreases in state and federal revenues were the main reason.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009, the District has invested more than \$9.8 million, after accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$410,000.

Long-Term Debt

The District has \$5,065,000 in outstanding general obligation bonds. The bonds will be totally repaid with proceeds from the statewide sales and services in future years.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District continued to levy property taxes in fiscal year 2009 to pay for principal and interest on long-term debt. This will not be the case in fiscal year 2010.
- The District passed an Instructional Support Levy that began in fiscal year 2008.
- The District has been experiencing decreasing enrollment the past several years. Funding for the District is directly related to enrollment levels.
- Midyear state aid cuts prevent sound long term planning from being effective.

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Sadler, Business Manager, Eagle Grove Community School District, 325 N Commercial, Eagle Grove, IA 50533.

Basic Financial Statements

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 660,092	40,735	700,827
ISCAP investments	1,466,563	-	1,466,563
Receivables:			
Property tax:			
Current year	45,713	-	45,713
Succeeding year	3,375,574	-	3,375,574
Income surtax	182,934	-	182,934
Due from other governments	97,896	-	97,896
Other receivables	39,975	-	39,975
ISCAP accrued interest receivable	4,220	-	4,220
Inventories	-	6,684	6,684
Capital assets, net of accumulated depreciation (note 3)	9,854,199	9,759	9,863,958
Total assets	15,727,166	57,178	15,784,344
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	155,723	-	155,723
Accrued interest payable	17,997	-	17,997
ISCAP warrants payable	1,445,000	-	1,445,000
ISCAP accrued interest payable	30,373	-	30,373
Deferred revenue:			
Succeeding year property tax	3,375,574	-	3,375,574
Federal programs	41,701	-	41,701
Long term liabilities:			
Portion due within one year:			
Bonds payable	255,000	-	255,000
Early retirement	16,000	-	16,000
Portion due after one year:			
Bonds payable	4,810,000	-	4,810,000
Total liabilities	10,147,368	-	10,147,368
Net assets:			
Invested in capital assets, net of related debt	4,789,199	9,759	4,798,958
Restricted for:			
Capital Projects	926,794	-	926,794
Debt Service	3,156	-	3,156
Physical Plant and Equipment Levy	2,802	-	2,802
Management levy	11,138	-	11,138
Categorical funding	145,414	-	145,414
Unrestricted	(298,705)	47,419	(251,286)
Total net assets	\$ 5,579,798	57,178	5,636,976

See notes to financial statements.

Year ended June 30, 2009

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EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions Charges for and Restricted Service		Governmental Activities	Business Type Activities	Total
Expenses					
Business type activities:					
Non-instructional programs:					
Nutrition services	347,244	187,174	210,353	-	50,283
					50,283
Total	\$ 9,920,563	452,216	1,936,642	(7,581,988)	(7,531,705)
General Revenues:					
Property tax levied for:					
General purposes				\$ 2,624,164	-
Management fund				100,142	-
Capital outlay				191,559	-
Debt service				215,738	-
Income surtax				202,636	-
Statewide sales and services tax				531,191	-
Unrestricted state grants				3,633,327	-
Unrestricted investment earnings				12,535	-
Other				118,664	-
Total general revenues				7,629,956	7,629,956
Change in net assets				47,968	50,283
Net assets beginning of year				5,531,830	6,895
Net assets end of year				\$ 5,579,798	57,178
					5,636,976

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

Assets

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Cash	\$ 6,061	40,730	25,677	-	587,624	-	660,092
ISCAP investments	1,466,563	-	-	-	-	-	1,466,563
Receivables:							
Property tax:							
Current year	38,294	-	1,461	2,802	-	3,156	45,713
Succeeding year	3,056,629	-	120,000	198,945	-	-	3,375,574
Income surtax	182,934	-	-	-	-	-	182,934
Due from other governments	49,695	-	-	-	48,201	-	97,896
Other receivables	39,975	-	-	-	-	-	39,975
Interfund receivable	-	-	-	-	290,969	-	290,969
ISCPA accrued interest receivable	4,220	-	-	-	-	-	4,220
Total assets	\$ 4,844,371	40,730	147,138	201,747	926,794	3,156	6,163,936

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 155,723	-	-	-	-	-	155,723
Interfund payable	290,969	-	-	-	-	-	290,969
ISCAP warrants payable	1,445,000	-	-	-	-	-	1,445,000
ISCAP accrued interest payable	30,373	-	-	-	-	-	30,373
Deferred revenue:							
Succeeding year property tax	3,056,629	-	120,000	198,945	-	-	3,375,574
Income surtax	182,934	-	-	-	-	-	182,934
Federal programs	41,701	-	-	-	-	-	41,701
Total liabilities	5,203,329	-	120,000	198,945	-	-	5,522,274
Fund balances:							
Reserved for capital projects	-				926,794	-	926,794
Reserved for debt service	-				-	3,156	3,156
Reserved for categorical funding	145,414	-	-	-	-	-	145,414
Unreserved	(504,372)	40,730	27,138	2,802	-	-	(433,702)
Total fund balance	(358,958)	40,730	27,138	2,802	926,794	3,156	641,662
Total liabilities and fund balances	\$ 4,844,371	40,730	147,138	201,747	926,794	3,156	6,163,936

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)		\$ 641,662
Amounts reported for governmental activities in the Statements of Net Assets are different because:		
Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.		182,934
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		9,854,199
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(17,997)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (5,065,000)	
Early retirement	<u>(16,000)</u>	<u>(5,081,000)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 5,579,798</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Total
Revenues:							
Local sources:							
Local tax	\$ 2,826,280	-	100,142	191,559	215,738	531,191	3,864,910
Tuition	200,552	-	-	-	-	-	200,552
Other	208,489	300,388	9,785	838	-	11,607	531,107
State sources	4,715,867	-	64	121	137	-	4,716,189
Federal sources	301,262	-	-	-	-	-	301,262
Total revenues	8,252,450	300,388	109,991	192,518	215,875	542,798	9,614,020
Expenditures:							
Instruction	5,499,914	277,027	47,473	-	-	-	5,824,414
Support services:							
Student services	185,593	-	-	-	-	-	185,593
Instructional staff services	420,163	-	-	-	-	-	420,163
Administration services	765,118	-	25,033	-	-	-	790,151
Operation and maintenance of plant services	593,304	-	-	-	-	-	593,304
Transportation services	307,213	-	91,750	10,000	-	-	408,963
	2,271,391	-	116,783	10,000	-	-	2,398,174
Non-instructional programs:							
Community service and education	20,096	-	-	-	-	-	20,096

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Total
Other expenditures:							
Facilities acquisition and construction	-	-	-	420,054	-	-	420,054
Long-term debt:							
Principal	-	-	-	-	250,000	-	250,000
Interest	-	-	-	-	223,316	-	223,316
Services	-	-	-	-	400	-	400
AEA flowthrough	311,957	-	-	-	-	-	311,957
	<u>311,957</u>	<u>-</u>	<u>-</u>	<u>420,054</u>	<u>473,716</u>	<u>-</u>	<u>1,205,727</u>
Total expenditures	<u>8,103,358</u>	<u>277,027</u>	<u>164,256</u>	<u>430,054</u>	<u>473,716</u>	<u>-</u>	<u>9,448,411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>149,092</u>	<u>23,361</u>	<u>(54,265)</u>	<u>(237,536)</u>	<u>(257,841)</u>	<u>542,798</u>	<u>165,609</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	141,342	253,511	-	394,853
Operating transfers (out)	-	-	-	(5,000)	-	(389,853)	(394,853)
Sale of property	<u>1,247</u>	<u>-</u>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>6,747</u>
	<u>1,247</u>	<u>-</u>	<u>-</u>	<u>141,842</u>	<u>253,511</u>	<u>(389,853)</u>	<u>6,747</u>
Change in fund balances	150,339	23,361	(54,265)	(95,694)	(4,330)	152,945	172,356
Fund balances beginning of year	<u>(509,297)</u>	<u>17,369</u>	<u>81,403</u>	<u>98,496</u>	<u>7,486</u>	<u>773,849</u>	<u>469,306</u>
Fund balances end of year	<u>\$ (358,958)</u>	<u>40,730</u>	<u>27,138</u>	<u>2,802</u>	<u>3,156</u>	<u>926,794</u>	<u>641,662</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 172,356

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities this represents the change from FY08 to FY09

520

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 19,044	
Depreciation expense	<u>(408,305)</u>	(389,261)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities.

Repaid	250,000
--------	---------

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(16,000)	
Payments	<u>29,741</u>	13,741

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

612

Change in net assets of governmental activities (Exhibit B) \$ 47,968

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 187,174
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	104,066
Benefits	28,428
Services	2,906
Supplies	209,561
Depreciation	2,283
Total operating expenses	<u>347,244</u>
Operating (loss)	<u>(160,070)</u>
Non-operating revenues:	
Interest on investments	25
State sources	4,312
Federal sources	<u>206,016</u>
	<u>210,353</u>
Change in fund net assets	50,283
Net assets beginning of year	<u>6,895</u>
Net assets end of year	<u>\$ 57,178</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 187,174
Cash payments to employees for services	(132,494)
Cash payments to suppliers for goods or services	<u>(196,854)</u>
Net cash (used by) operating activities	<u>(142,174)</u>
Cash flows from non-capital financing activities:	
State grants received	4,312
Federal grants received	<u>180,177</u>
Net cash provided by non-capital financing activities	<u>184,489</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(1,605)
Cash flows from investing activities:	
Interest on investments	<u>25</u>
Net increase in cash and cash equivalents	40,735
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 40,735</u>
Reconciliation of operating (loss) to net cash used by operating activities:	
Operating (loss)	\$ (160,070)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	2,283
Commodities used	25,839
(Increase) in inventory	(904)
(Decrease) in accounts payable	<u>(9,322)</u>
	<u>\$ (142,174)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$25,839.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Eagle Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Eagle Grove, Iowa, and agricultural territory in Wright, Webster and Humboldt Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Eagle Grove Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Eagle Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The District has elected to treat all funds as major for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy Fund are utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent federal program funds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities is deemed to be immaterial at June 30, 2009.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 131,192	-	-	131,192
Capital assets being depreciated:				
Improvements other than buildings	226,145	-	-	226,145
Buildings	12,843,633	-	-	12,843,633
Furniture and Equipment	2,718,571	19,044	-	2,737,615
Total capital assets being depreciated	15,788,349	19,044	-	15,807,393
Less accumulated depreciation for:				
Improvements other than buildings	202,947	3,526	-	206,473
Buildings	3,145,625	269,118	-	3,414,743
Furniture and Equipment	2,327,509	135,661	-	2,463,170
Total accumulated depreciation	5,676,081	408,305	-	6,084,386
Total capital assets being depreciated, net	10,112,268	(389,261)	-	9,723,007
Governmental activities, capital assets, net	\$ 10,243,460	(389,261)	-	9,854,199

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and Equipment	\$ 25,796	1,605	2,350	25,051
Less accumulated depreciation	<u>15,359</u>	<u>2,283</u>	<u>2,350</u>	<u>15,292</u>
Business type activities capital assets, net	<u>\$ 10,437</u>	<u>(678)</u>	<u>-</u>	<u>9,759</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated \$ 408,305

Business type activities:

Food service operations \$ 2,283

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	GO Bonds Payable	Early Retirement	Total
Balance beginning of year	\$5,315,000	29,741	5,344,741
Additions	-	16,000	16,000
Reductions	<u>250,000</u>	<u>29,741</u>	<u>274,741</u>
Balance end of year	<u>\$5,065,000</u>	<u>16,000</u>	<u>5,086,000</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.1% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$299,618, \$288,602, and \$267,858 respectively, equal to the required contributions for each year.

(6) Risk Management

Eagle Grove Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$311,957 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$16,000. Early retirement benefits paid during the year ended June 30, 2009 totaled \$29,741.

(9) Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.00%	\$ 250,000	215,966	465,966
2011	3.00	260,000	208,466	468,466
2012	3.00	270,000	199,366	469,366
2013	3.00	280,000	188,566	468,566
2014	3.00	300,000	174,566	474,566
2015	3.00	305,000	159,566	464,566
2016	3.00	320,000	147,824	467,824
2017	3.00	335,000	135,024	470,024
2018	3.00	345,000	121,456	466,456
2019	3.00	360,000	107,225	467,225
2020	3.00	375,000	91,925	466,925
2021	3.00	390,000	75,613	465,613
2022	3.00	410,000	58,258	468,258
2023	3.00	425,000	39,807	464,807
2024	3.00	440,000	20,470	460,470
Total		<u>\$5,065,000</u>	<u>1,944,098</u>	<u>7,009,098</u>

(10) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09B	1/21/09	1/21/10	\$ 442,603	4,094	437,000	10,515
2009-10A	6/25/09	6/23/10	1,023,960	126	1,008,000	19,858
Total			<u>\$1,466,563</u>	<u>4,220</u>	<u>1,445,000</u>	<u>30,373</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09A	\$ <u>-</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(11) Contingencies

The District is currently involved in a dispute with the firm that served as project manager for the elementary school construction project. At issue is the amount of money that the District owes the project manager for his services. According to district legal counsel in the matter, no probable outcome can be determined at this time, thus no liability has been reflected in the financial statements.

Required Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 4,596,569	187,199	4,783,768	4,703,977	4,703,977	79,791
State sources	4,716,189	4,312	4,720,501	4,866,100	4,866,100	(145,599)
Federal sources	301,262	206,016	507,278	695,000	695,000	(187,722)
Total revenues	9,614,020	397,527	10,011,547	10,265,077	10,265,077	(253,530)
Expenditures/Expenses:						
Instruction	5,824,414	-	5,824,414	5,913,169	5,913,169	88,755
Support services	2,398,174	-	2,398,174	2,745,000	2,745,000	346,826
Non-instructional programs	20,096	347,244	367,340	767,487	767,487	400,147
Other expenditures	1,205,727	-	1,205,727	1,808,491	1,808,491	602,764
Total expenditures/expenses	9,448,411	347,244	9,795,655	11,234,147	11,234,147	1,438,492
Excess (deficiency) of revenues over (under) expenditures/expenses	165,609	50,283	215,892	(969,070)	(969,070)	1,184,962
Other financing sources (uses)	6,747	-	6,747	5,000	5,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	172,356	50,283	222,639	(964,070)	(964,070)	1,184,962
Balance beginning of year	469,306	6,895	476,201	508,961	508,961	(32,760)
Balance end of year	\$ 641,662	57,178	698,840	(455,109)	(455,109)	1,152,202

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	5,293	7,156	5,721	6,728
HS Speech/Drama	242	-	-	242
MS Speech/Drama	-	-	-	-
Trip Fund/Music Department	9	-	-	9
Music Concession Account	-	4,678	2,834	1,844
Color Guard	-	-	-	-
HS Music Account	1,525	1,011	-	2,536
Middle School Music	-	-	-	-
General Athletic Account	(22,031)	14,984	9,516	(16,563)
Concessions	-	21,028	21,028	-
Weighlifting	-	11,698	11,448	250
Athletic Uniforms	-	4,305	2,650	1,655
Athletic Resale Account	150	-	-	150
HS Boys Basketball	-	8,293	8,293	-
MS Boys Basketball	-	1,013	1,013	-
Boys Basketball Camp	403	890	-	1,293
HS Football	-	23,227	23,227	-
MS Football	-	3,517	3,517	-
Football Camp	1,488	8,312	8,081	1,719
Baseball	-	8,066	8,066	-
Baseball Camp	-	830	-	830
HS Cross Country	-	526	526	-
HS Cross Country Extracurricular	1,439	645	850	1,234
HS Boys Track	-	5,976	5,976	-
MS Boys Track	-	472	472	-
HS Boys Golf	-	212	212	-
HS Boys Golf Camp	-	994	699	295
HS Wrestling	-	7,176	7,176	-
HS Wrestling Camp	-	170	-	170
MS Wrestling	-	180	180	-
HS Girls Basketball	-	6,775	6,775	-
Girls Basketball Camp	963	2,157	2,351	769
MS Girls Basketball	-	700	700	-
Volleyball Camp	480	3,162	2,592	1,050
HS Volleyball	-	3,854	3,854	-
MS Volleyball	-	300	300	-
Softball	-	3,039	3,039	-
Softball Camp	-	440	-	440
HS Girls Cross Country	-	617	617	-
HS Girls Cross Country Extracurricular	2,677	1,457	4,076	58
HS Girls Track	-	7,185	7,185	-
HS Girls Track Camp	-	630	630	-
MS Girls Track	-	568	568	-
HS Girls Golf	-	227	227	-

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Interest Account	-	-	-	-
HS Annual	(16,796)	1,880	2,200	(17,116)
Book Fair	1,368	6,231	6,362	1,237
Student Extracurricular	806	2,293	2,310	789
HS Student Fundraising	8,779	18,015	15,154	11,640
HS Science Club	1,294	-	1,294	-
Student Activity Tickets	-	55	55	-
Adult Activity Tickets	-	-	-	-
HS Quiz Bowl	-	-	-	-
Special Olympics	113	150	-	263
MS Student Senate	4,050	24,359	19,475	8,934
MS Student Fundraising	1,395	2,639	2,762	1,272
Elementary Student Fundraising	-	2,156	300	1,856
Destination Imagination	540	-	-	540
Cheerleaders	-	1,956	1,956	-
Drill Team	649	11,512	11,544	617
FFA	21	4,894	4,654	261
Spanish Club	6,862	4,936	5,760	6,038
National Honor Society	1,210	11,530	11,152	1,588
FBLA	3,162	29,759	29,011	3,910
FCCLA	813	790	302	1,301
HS Student Senate	654	1,786	2,285	155
Caring for Kids	-	-	-	-
Health Fund	1,000	500	1,000	500
FCS Businesses	2,778	1,260	510	3,528
Robert Blue School Yearbook	3,499	992	334	4,157
Class of 2013	44	1,500	-	1,544
Class of 2012	-	1,200	-	1,200
Class of 2009	118	-	-	118
Class of 2010	1,396	3,525	4,204	717
Class of 2011	976	-	4	972
Totals	<u>17,369</u>	<u>300,388</u>	<u>277,027</u>	<u>40,730</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICTSchedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,864,910	3,714,402	3,415,934	3,021,844	2,742,246	2,674,602
Tuition	200,552	153,399	155,590	138,627	125,970	75,470
Other	531,107	931,412	601,514	474,317	789,654	536,334
State sources	4,716,189	4,578,364	4,373,571	4,129,322	4,498,530	4,007,474
Federal sources	301,262	446,280	503,406	650,792	303,023	304,138
Total	<u>\$ 9,614,020</u>	<u>9,823,857</u>	<u>9,050,015</u>	<u>8,414,902</u>	<u>8,459,423</u>	<u>7,598,018</u>
Expenditures:						
Instruction	\$ 5,824,414	5,640,039	5,498,933	5,165,387	4,705,343	4,521,003
Support services:						
Student	185,593	183,056	201,185	186,211	252,973	274,259
Instructional staff	420,163	394,818	372,808	326,432	420,245	393,046
Administration	790,151	1,369,699	996,747	915,737	880,991	976,983
Operation and maintenance of plant	593,304	679,055	797,636	718,919	679,021	581,850
Transportation	408,963	363,824	289,766	365,263	254,764	280,667
Non-instructional programs	20,096	175,824	244,747	238,275	289,015	252,935
Other expenditures:						
Facilities acquisition	420,054	266,149	1,682,711	4,722,310	1,526,687	93,694
Debt service:						
Principal	250,000	235,000	225,000	231,000	257,000	22,000
Interest and services	223,316	230,366	237,316	244,045	231,385	2,826
AEA flowthrough	311,957	301,638	293,439	277,832	277,089	278,690
Total	<u>\$ 9,448,011</u>	<u>9,839,468</u>	<u>10,840,288</u>	<u>13,391,411</u>	<u>9,774,513</u>	<u>7,677,953</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Eagle Grove Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eagle Grove Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Eagle Grove Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Eagle Grove Community School District's financial statements that is more than inconsequential will not be prevented or detected by Eagle Grove Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Eagle Grove Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

Compliance and Other Matters

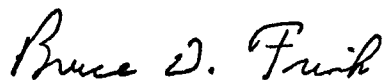
As part of obtaining reasonable assurance about whether Eagle Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eagle Grove Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Eagle Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eagle Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 22, 2010

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

I-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - Expenditures for the year ending June 30, 2009, did not exceed the certified budget amount in any of the four functions.
- II-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-E-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-F-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-G-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jon Rowen Board Member	Supplies	\$4,513
Patricia Manues	Sub pay	<u>90</u>
		<u>\$4,603</u>

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Mr. Rowen exceed the \$2,500 limit allowed by Iowa law. The transaction with Ms. Manues does not appear to exceed the allowable limit.

Recommendation - The District should consult legal counsel regarding these expenditures to ensure compliance with the Code of Iowa.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

- II-H-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-I-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	531,191
Expenditures/transfers out:	
School infrastructure:	
General obligation debt	<u>(389,853)</u>
Ending balance	\$ <u><u>141,338</u></u>